

Public Agenda Item #13a

Review, Discussion and Consideration of the Texas
Employees Group Benefits Program:

Health Insurance Financial Status Update for the
First Quarter Fiscal Year 2016

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First Quarter Fiscal Year 2016

Outcomes

FY 2016, Q1



- Estimated health cost trend is higher than expected at 10.2%
 - Cause of this rise continues to be a result of the prescription drug trend currently at 22.8%
 - ERS staff are working with PBM to address high cost drivers
 - Increased prescriptions for off label use of Diclofenac has increased plan costs from approximately \$121,000 total in FY 2014 to over \$2 million total in FY 2015. Cost for FY 2016 is already over \$2.6 million; a 780% trend.
- FY 2016 ending fund balance is projected to be \$428 million

GBP Health Plan Financial Status

Actual versus Projected



All Health Plans Experience through November 2015 (\$Millions)	FY14	FY15	FY16 <i>Projected</i>
REVENUE			
State Contribution for State Agencies	\$1,521.1	\$1,653.1	\$1,794.2
State Contribution for Higher Education	643.3	706.9	767.3
State Contribution – Other	62.4	67.7	73.5
State Contribution - Total	\$2,226.8	\$2,427.7	\$2,635.0
Member Contributions	435.8	455.1	485.2
Other Revenue	179.9	230.0	226.6
TOTAL REVENUE	\$2,842.5	\$3,112.8	\$3,346.8
HEALTH CARE EXPENDITURES	\$2,794.2	\$3,051.6	\$3,359.0
Net Gain (Loss)	\$48.3	\$61.2	(\$12.2)
FUND BALANCE	\$379.3	\$440.5	\$428.3
Other Expenses Incurred Outside of the GBP Fund			
Member Cost Sharing	\$490.2	\$494.0	\$503.5

Cost Saving Initiatives

Initiatives to Reduce Costs



Current FY 2016 initiatives in place or being investigated to reduce plan costs are:



Patient-Centered Medical Homes

- HealthSelect's total savings for FY 2015 were \$11.1 million.
- Payments made to 2 of the 5 clinics totaling \$1.6 million.
- Expansion of program to additional clinics in the Panhandle is nearing completion.



Dependent Eligibility Audit

- Audit of all dependents enrolled in a health plan continues to be performed by Aon Hewitt.
- An estimated \$14.2 million was saved in FY 2015.
- This ongoing audit is projected to save an estimated \$6 million in FY 2016.



Virtual Visits

- Telemedicine program through UnitedHealthcare using Doctor On Demand
- Soft launch released January 1, 2016
- \$10.00 copay for member to utilize

Initiatives to Reduce Costs (cont'd)



Current FY 2016 initiatives in place or being investigated to reduce plan costs are:



Real Appeal

- Online program to work with pre-diabetic & diabetic patients to help control weight & disease
- Goal – keep pre-diabetics from moving into next disease state and improve health



Bundled Payments

- Result of ERS' ongoing Solution Sessions.
- ERS intends to submit a Request for Proposal (RFP) for these services in the near future.

Bundled Payments

New Payment Model



What is it?

- This new approach combines all related costs of a service into a single price.
- Best for planned medical procedures.
- Also known as “case rates”, “evidence-based case rates”, “condition-specific capitation”, and “episode-based bundled payments”.

Model Types:

1. *Retrospective:* Care is provided as-is currently, then every quarter a look-back on services is performed and episode costs are calculated on episode-specific definitions.
2. *Prospective:* Provider receives a preset bundled payment upfront for an episode. This requires the provider to receive the payment through a contract/episode arrangement.

Bundled Payments

Episode of Care Examples



Procedure Type	Examples	
Orthopedic	Hip Replacements Knee Replacements	Rotator Cuff Repair ACL Repair
Spine	Lumbar and Cervical Laminectomy/Discectomy	Spinal Fusion Artificial Disk
Cardiovascular	Coronary Bypass Heart Valve Surgery	Implantable Defibrillators Pacemakers
General Surgeries	Gallbladder Repair Hernia Repair	Hysterectomy
Minor Outpatient	Carpel Tunnel	

This chart is for example purposes only.

Bundled Payments

Advantages



Shifts responsibility for risk management to provider.

Shared responsibility for cost control.

Alteration of traditional incentives.

Increased pricing transparency.

Savings are realized through:

1. Negotiating payment for total cost to be less than fee-for-service.
2. Agreement with providers that savings will be shared between payer and provider.
3. No additional payments for treatment of complications as those are bundled into the agreed-upon episode price.

Questions?